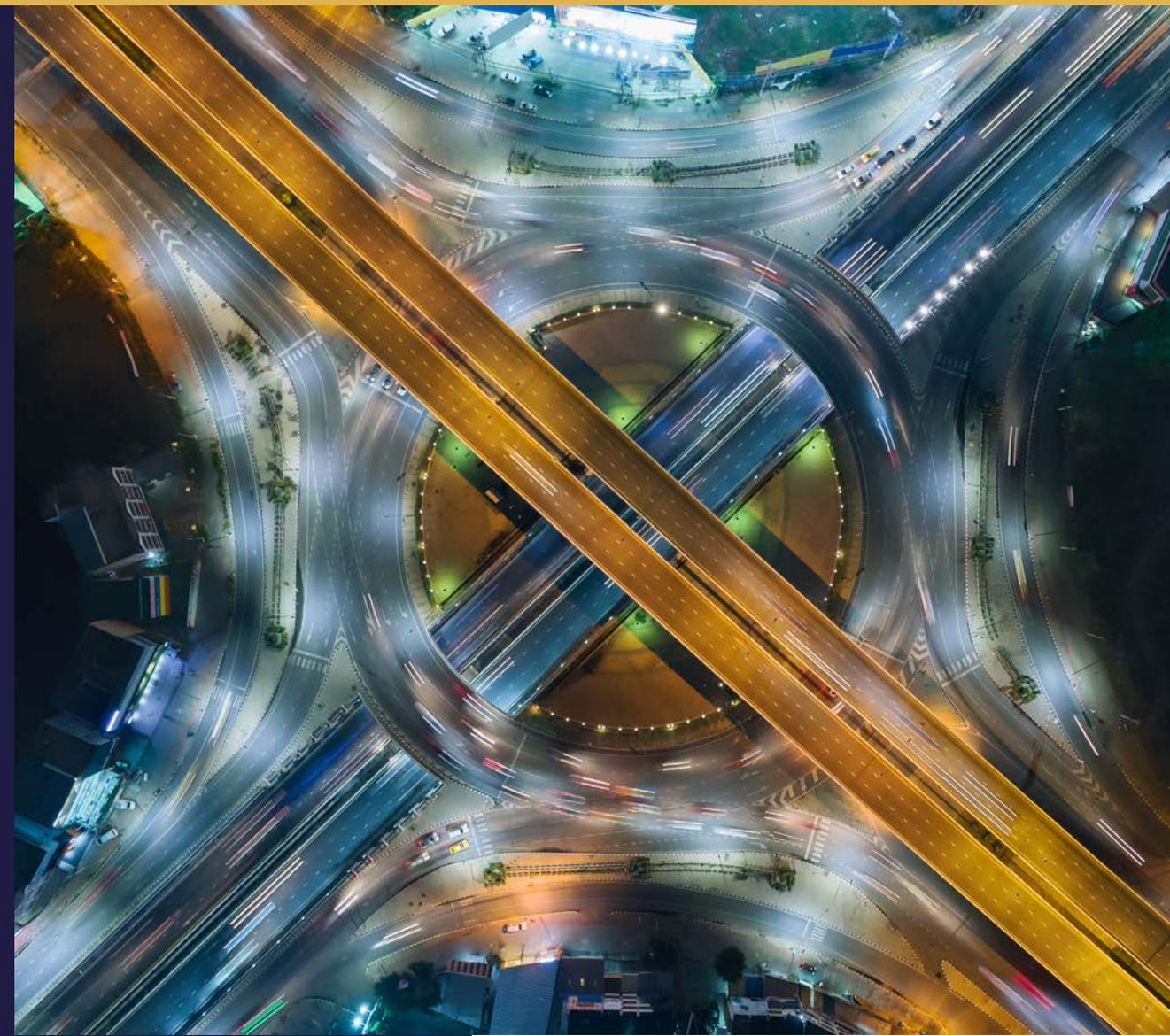


# What's next for sustainability?

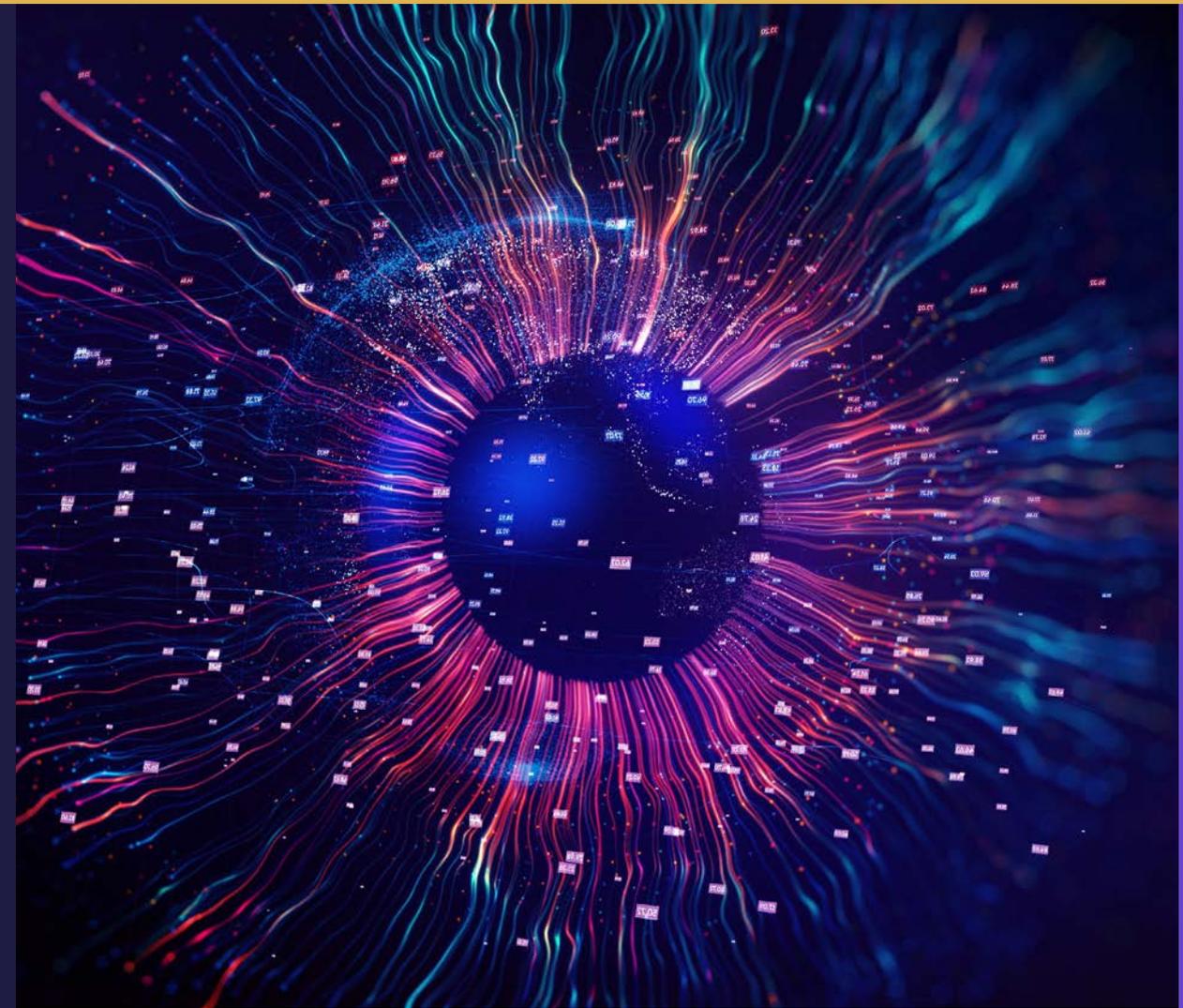
A 2023 guide to sustainability trends



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# What's included

- 1. The rising need for better reporting 03
- 2. ISSB on the horizon 06
- 3. Acronyms, accreditations and ratings 07
- 4. Trends for 2023 10
- 5. Greenwash alert 32
- 6. How we can help 33



What is sustainability today and what does it mean for reporting?

# The rising need for better reporting



# Demand for sustainability disclosures is high...

71%

of individual investors, globally, want to make a positive social impact as part of their investment objectives<sup>1</sup>

84%

of investors want companies to explain the relevance of ESG factors to the company's business model and provide progress against targets<sup>2</sup>

49%

of investors express willingness to divest from companies that aren't taking action on ESG issues<sup>3</sup>

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## How EVER can help

Our team can provide content support and design impactful communications for your sustainability stories.

[hello@eversustainable.co.uk](mailto:hello@eversustainable.co.uk)

<sup>1</sup> Natixis 2021 ESG Investor Insights Report

<sup>2</sup> PWC 2021 Global investor Survey

<sup>3</sup> PWC 2021 Global investor Survey

# ...and reporting requirements are developing all the time

Large listed companies are required to report their energy use and carbon emissions (Scope 1&2)

All premium-listed companies and those with over 500 employees and/or £500 million annual turnover now have to report against the Task Force on Climate-related Financial Disclosures

The FRC Corporate Governance Code has at its basis a string of sustainability principles – the concepts of transparency and good governance are, at their heart, sustainability principles

## How EVER can help

Our content specialists ensure that you are compliant with emerging regulation.

[hello@eversustainable.co.uk](mailto:hello@eversustainable.co.uk)

## Forthcoming requirements: International Sustainability Standards Board (ISSB)

The **ISSB** was established at COP26 to develop a comprehensive global baseline of sustainability disclosures for the capital markets.

- In March the IFRS Foundation launched a consultation on its first **two proposed standards**:
  - **General sustainability-related** disclosure requirements.
  - **Climate-related** disclosure requirements.
- The proposed standards will require an entity to disclose information about its significant **sustainability-related risks and opportunities**.
- Disclosure requirements will cover the areas of **governance, strategy, risk management and metrics & targets**.
- Companies will **identify metrics** that apply to activities in line with its business model and in relation to specific sustainability-related risks and opportunities.
- Metrics guidance suggests that **existing sources** of metrics – such as **SASB, TCFD** and other relevant standard-setting bodies – will be employed, as well as those used by entities in the same industries or geographies.
- The **UK government** has indicated it will incorporate ISSB into the **UK SDR**.

# The rise of the acronyms: mandatory and voluntary frameworks



- ESG **reporting regulation** is driving framework development, although most are still voluntary, giving companies a significant degree of flexibility and leeway.
- Demand from **investors** for high quality, transparent, reliable and comparable reporting by companies on climate and other ESG matters is driving consolidation.
- The rise of **stakeholder capitalism** and **sustainability consciousness** means companies are choosing to align to multiple frameworks to drive meaningful action and satisfy different audiences.
- The introduction of **super-frameworks** – those that select key elements from pre-existing frameworks – are an attempt to simplify the landscape for companies.

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## How EVER can help

We work with you to ensure alignment to the key international and sectoral sustainability and ESG frameworks.

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# Accreditations, standards & affiliations

In addition to recognised sustainability and ESG frameworks, there are a whole host of accreditations, standards and affiliations related to different areas and issues that companies can sign up to.

These initiatives typically incorporate a broad set of principles or some form of assessment through which companies can demonstrate their commitment to and/or progress and performance on aspects of sustainability and ESG externally.



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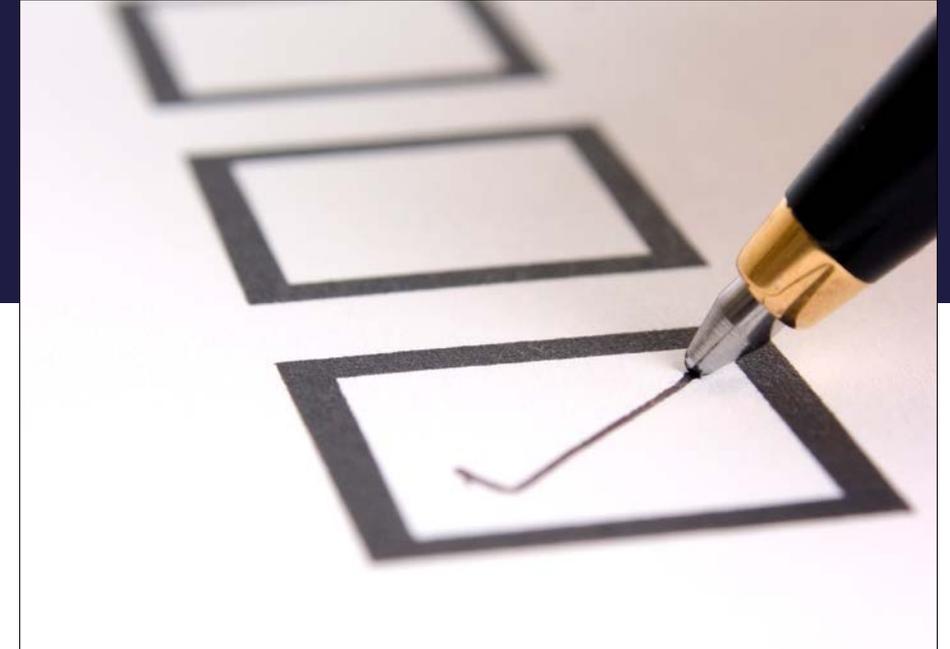
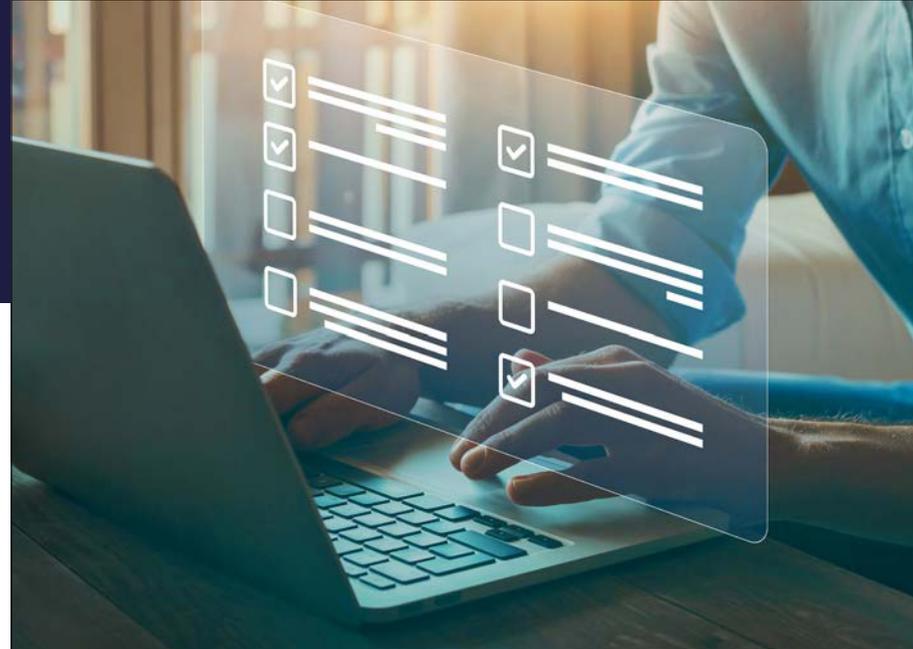
**How EVER can help**  
We work with clients on a range of issues from climate change, diversity, inclusion and equity, the Just Transition, rights-based approaches and systems lenses.

**hello@eversustainable.co.uk**

# The battle of the ratings agencies

Typically, providers will identify a set of ESG topics that are material for a specific sector and assign indicators to evaluate performance on each of those issues. Topics are often assigned a weight in the overall assessment, giving a different level of gravity for topics or sets of topics.

Each provider will then have in place a proprietary weighting and scoring process to evaluate companies against a range of quantitative and/or qualitative indicators.



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## EVER'S ESG ratings readiness tool

We can help you anticipate the ratings agencies by inputting your existing communications into our Ratings Readiness tool, which uses similar methodologies as the ratings agencies, to understand where you are performing well, and where the gaps are that you can look to plug.

[hello@eversustainable.co.uk](mailto:hello@eversustainable.co.uk)

# Trends to consider for 2023



# 2022 trends in reporting

1 

## The climate crisis

Our changing world, with acute and chronic weather events, brings with it risks to human activity which business is increasingly alert to.

2 

## Supply chain

The push for net zero and the impact of recent macroeconomic market trends have meant clarity on value supply chains has become more important than ever. This includes social issues such as modern slavery.

3 

## Diversity, equality, and inclusion

Diversity, equality, and inclusion have become headline topics, with racial and gender inequality particularly in the spotlight.

# 2022 trends in reporting

4



## Biodiversity and nature-related risk

Biodiversity is a measure of the richness of an ecosystem's species, supporting the ecosystem assets and ecosystems services that are primary inputs into human activity.

5



## Culture

Culture and “tone from the top” remains a pressing issue in the war for talent. Providing insight into how the board has managed, measured and developed the company culture in the year is key.

6



## The “Just Transition”

The “Just Transition” is a concept originally developed by labour unions, and subsequently adopted by policy-makers. The idea is that labour transition plans are put in place to ensure that workers are not disadvantaged in the energy and ecological transition.

# 1

## The climate crisis

Taking action to mitigate, adapt to or otherwise take action in the face of a **changing global climate.**

2005



2008



Climate Change Act 2008

2015



2019



# 1. The climate crisis

The world's  
biggest  
market failure.

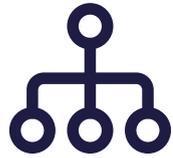
Lord Nicholas Stern, author  
of the 2006 Stern Review

Emissions are a consequence of economically valuable activities but, in large part, the negative impacts of emissions have not been captured or costed. The impacts are thus external to the market, a concept known in economic terms as a negative externality.

Equivalent to losing **5% of global GDP** each year, now and forever.

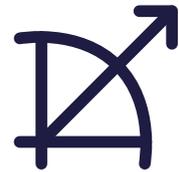
Potential financial losses as high as **\$43trillion.**

# TCFD disclosure framework



## Governance

Disclose the organisation's governance around climate-related risks and opportunities.



## Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning where such information is material.



## Risk Management

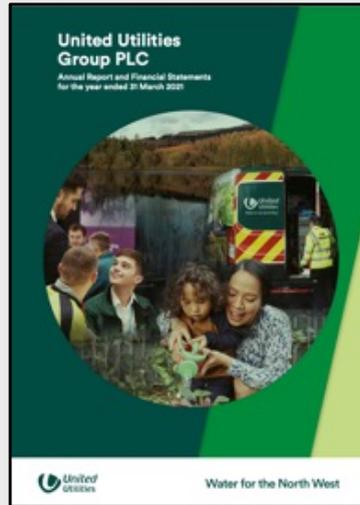
Disclose how the organisation identifies, assesses and manages climate-related risks.



## Metrics & targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

# Climate risk by numbers



United Utilities plc  
Annual Report 2021  
Pages 90 and 91

United Utilities clearly indicate each type of risk through an icon.

**STRATEGIC REPORT**

## Our approach to climate change

Climate sensitive risks overview

Below is the outcome of a special risk assessment on the risks identified as sensitive to climate change. Likelihood and impact are as predicted at 2050 and 2100 using the accepted most likely emission pathway RCP 6.0.

**CONTROL EFFECTIVENESS**

The effectiveness of controls at 2025 to mitigate the climate-related risk at 2050.

- Mostly sufficient
- Somewhat sufficient
- Largely insufficient

**RISK TYPE**

- Chronic physical risk – changing trends in weather patterns, such as rising temperatures, sea level, rainfall
- Acute physical risk – chance of severe weather events, such as storms, heat waves and floods.
- Indicates the most significant event-based risks reported to the board (see pages 108 to 109)

**Water sufficiency event**

When temperatures rise, higher water usage, evapo-transpiration and lower average summer rainfall from associated dry periods, causes supply pressures. The most likely impact assumes weather patterns similar to 2018 happening twice in five years at 2050, and four times in five years by 2100.

Year	Likelihood (%)	Impact (NPV £m)
Baseline	10%	£66m
2050	40%	£265m
2100	80%	£530m

**Controls**

- Development of new sources of water, particularly boreholes.
- Water trading between different regions of the UK.
- Leakage reduction.
- Encourage and inform customers about using less water.
- Installation of more meters on domestic properties.

**Failure of wastewater network (sewer flooding)**

Increased rainfall (storm) events can result in severe sewer flooding. The frequency of such events is forecast to almost double with climate change. For a storm with a return period of one in 50 years or greater, 16 per cent of our region is currently at risk of internal flooding. By 2050 it is expected 20 per cent of our region would be impacted, rising to 29 per cent by 2100. The cost of an internal flooding incident is assumed to stay constant.

Year	Likelihood (%)	Impact (NPV £m)
Baseline	40%	£210m
2050	53%	£278m
2100	77%	£404m

**Controls**

- Increase sewer capacity and build storm water holding tanks.
- Implement and encourage sustainable drainage solutions.
- Use technology to monitor and better control flows in the sewer system.
- Install flood protection devices to at-risk properties.

**Land management**

Deterioration in the quality of land due to climate change will increase the frequency and impact of weather events on our owned land. Such events have led to more fire, flood, subsidence and landslip events which in turn have associated impacts on: health, safety and environmental issues; access to operational and capital activities; corporate reputation; missed opportunities; legal liability and additional unplanned spend associated with invasive species. The annual likelihood of such events is forecast to increase from 20 to 100 per cent by 2100.

Year	Likelihood (%)	Impact (NPV £m)
Baseline	20%	£31m
2050	50%	£76m
2100	100%	£153m

**Controls**

- Proactive land management action to protect quality, including through nature-based solutions.
- Provide net gain in biodiversity from our construction projects.
- Directly restore peatland and woodland.
- Work in partnership with farmers, the Environment Agency and others to improve upland watercourses.

**Failure to adequately treat wastewater**

Extreme rainfall events cause overflows and variation between high rainfall and drought periods causes further susceptibility. Likelihood of failure to adequately treat wastewater is expected to remain at one in two years but the most likely impact expects six more failing works (above 2020 baseline) and uses the current ODI penalties as the impact magnitude.

Year	Likelihood (%)	Impact (NPV £m)
Baseline	50%	£75m
2050	50%	£95m
2100	50%	£114m

**Controls**

- Enhancements linked to no deterioration funded through price review.
- DWMP investigations into increased dilution.
- Infrastructure investment to increase resilience to extreme events.

**Failure of above-ground water and wastewater assets (flooding)**

Average winter rainfall is projected to increase by 6 per cent by 2050, and by 12 per cent by 2100, increasing the likelihood of extreme events where sites are flooded from sea, river or surface water sources. The impact is estimated based on three modelled events (of likelihood 1:1000, 1:100 and 1:30) each having a 10 per cent annual increase in frequency every 20 years.

Year	Likelihood (%)	Impact (NPV £m)
Baseline	8%	£45m
2050	12%	£117m
2100	15%	£142m

**Controls**

- Install permanent flood defences at most flood-prone sites.
- Improve flood forecasting capabilities.
- Build better network connectivity so that supplies can be maintained from elsewhere if a treatment works is flooded.
- Invest to ensure sites can bounce back quickly once flooding subsides.

**Water network failure**

Warmer, milder winters will decrease the likelihood of cold snaps/freeze thaws that result in burst pipes. However, these milder winters will result in more precipitation and flood events, causing a risk to assets close to, or crossing, rivers. Increased summer temperatures may result in considerably more heatwaves, which cause a higher peak demand. Such events can result in low pressure and no water for some customers.

Year	Likelihood (%)	Impact (NPV £m)
Baseline	13%	£2.1m
2050	24%	£28m
2100	32%	£41m

**Controls**

- Already increased the size of our fleet of alternative supply vehicles (ASVs), and introduced a new 24/7 logistics capability.
- New Network Maintenance Services contracts with key third-party suppliers include elements to ensure all can respond effectively in an incident when required.
- Leakage reduction.
- Encourage and inform customers about using less water.
- Installation of more meters in domestic properties.

**Recycling biosolids to agriculture**

Climate change is expected to increase persistent rainfall. The resultant water logging will limit spreading biosolids to land for a greater part of the year and uncovered sludge stores and stockpiles will be more vulnerable in persistent wet, winter weather. The impact calculation assumes the sludge that cannot be spread to land will be sent to restoration and the impact is the associated ODI and EA fines.

Year	Likelihood (%)	Impact (NPV £m)
Baseline	20%	£2.3m
2050	37%	£12m
2100	62%	£27m

**Controls**

- Increased sludge storage capability.
- Utilise covered storage.
- Increased distance travelled for disposal of sludge.

90 United Utilities Group PLC unitedutilities.com/corporate

Stock Code: UU Annual Report and Financial Statements for the year ended 31 March 2021 91

United Utilities focuses in on water as a key risk area that is close to its business and to climate impact.



# 2

## Supply chain

COVID, geopolitics and macroeconomic events have **impacted supply chains**, causing major disruption to businesses around the globe.

48%

of supply chain managers did not believe their organisation was transparent enough with stakeholders.

Chartered Institute of Procurement & Supply 2021

# 2. Supply chain



Balfour Beatty  
Annual Report 2021  
Page 28

Balfour Beatty clearly shows the strategic targets related to its supply chain

- Our priorities**
- Deliver the Group's sustainability 2030 Targets and 2040 Ambitions to go Beyond Net Zero Carbon, Generate Zero Waste and Positively Impact More than 1 Million People
  - Zero Harm – no injury, ill health or environmental incident caused by our work
  - Improved transparency through digital tools and automation
  - Mitigate and manage risks through collaboration
  - Be the customer of choice
  - Keep cash flowing through the supply chain

**STAKEHOLDER VALUE CONTINUED**

**Supply chain and strategic partners**

**Why are they important?**  
Our many supply chain partners, large and small, are an invaluable resource fundamental to the successful delivery of all of our projects. We also work with trusted partners in a number of long-term joint ventures which are critical to our success.

**Our priorities**

- Deliver the Group's sustainability 2030 Targets and 2040 Ambitions to go Beyond Net Zero Carbon, Generate Zero Waste and Positively Impact More than 1 Million People
- Zero Harm – no injury, ill health or environmental incident caused by our work
- Improved transparency through digital tools and automation
- Mitigate and manage risks through collaboration
- Be the customer of choice
- Keep cash flowing through the supply chain

**How we engage**  
As part of our digital transformation, we're implementing new ways of working that phase out labour intensive, slow processes and replace them with streamlined, automated tools that provide greater speed and transparency. To create the best solutions for our customers and be the customer of choice for our supply chain partners, we engage our supply chain partners early in the work.

**CASE STUDY: SUPPLY CHAIN PARTNERING DRIVES IMPROVEMENT**  
Procured via the UK SCAPE Civil Engineering frameworks, which provide customers with early access to our expertise. Wokingham Borough Council's Major Highways Programme provides vital infrastructure upgrades to alleviate congestion and enhance accessibility. We have worked with our customer and key supply chain partners from the early stages to develop the designs of the nine schemes that make up the programme of works. This early involvement improves our supply chain partners' understanding of the project requirements, provides them with visibility of upcoming works to help them plan their resources and gives them the chance to help create solutions that are sustainable and can be delivered safely and efficiently.

**How we create value**  
In the UK, our eProcurement Portal, Jaggaer, helps reduce risk by creating a standardised, consistent process for our supply chain partners to tender for work packages. The Portal also provides access to catalogues for commonly procured items, helping us to concentrate our spend with the best performing partners and procure goods and services with consistent levels of quality. Across the Group, we work with our supply chain partners to develop and adopt innovative approaches that improve project delivery and help reduce carbon emissions and waste. In Hong Kong, this includes the introduction of the Enertrailer battery storage system which can replace diesel generators on site. In the UK, we've worked with our partners to complete a world-first emissions retrofit exhaust solution to cut emissions from construction plant and improve air quality.

**How we create value**  
We support the creation of a best-in-class supply chain in the UK through our membership of the Supply Chain Sustainability School, a collaboration between customers, contractors and supply chain partners who want to build a skilled supply chain. Through our partnership with the School, we undertook a joint survey targeting nearly 40,000 supply chain partners in our industry. The survey helped us to better understand the barriers they faced in relation to carbon reduction and the support they need. We published our findings and shared them with key customers, other Tier 1 contractors, and the UK Government in our thought paper 'Greening the Chain: Overcoming Barriers for a Net Zero Supply Chain'. In September 2021, we hosted a Supply Chain Conference in the UK. At the conference we were able to engage our supply chain partners around what is important to us and share knowledge and understanding around key areas including digitising our industry. Our supply chain partners support our fundraising and charity initiatives. In the UK, in 2021, one of our rail project teams worked with its supply chain partners to build and donate a tarmac ramp to a local children's hospice, enabling the children to have direct access to the gardens. Meanwhile, in the US, one of our joint venture teams in North Carolina, partnered with the local community to prioritise repairs to a major roadway which was damaged during a hurricane. In line with the UK's Prompt Payment Code, we are committed to paying all of our supply chain partners on time and to mutually agreed terms. We continually invest in our processes and procedures to improve our payment performance and enhance accuracy and transparency. In the second half of 2021, we increased the percentage of invoices paid within 60 days in the UK to 93%.

We support the creation of a best-in-class supply chain in the UK through our membership of the Supply Chain Sustainability School, a collaboration between customers, contractors and supply chain partners who want to build a skilled supply chain. Through our partnership with the School, we undertook a joint survey targeting nearly 40,000 supply chain partners in our industry. The survey helped us to better understand the barriers they faced in relation to carbon reduction and the support they need. We published our findings and shared them with key customers, other Tier 1 contractors, and the UK Government in our thought paper 'Greening the Chain: Overcoming Barriers for a Net Zero Supply Chain'.

Balfour Beatty treats supply chains as a stakeholder and addresses engagement and value created.

Insight is given into how the company explores environmental challenges impacting its suppliers.

Case study of a supply chain partnership.



# 3

Diversity,  
equality and  
inclusion

The process of ensuring **fairness**, a sense of belonging, and the **valuing of differences** in the workplace.

19%

Higher innovation revenues for companies with higher-than-average diversity.

[Harvard Business Review, 2018](#)

# 3. Diversity, equality and inclusion



## New FCA rules (2023 onwards)

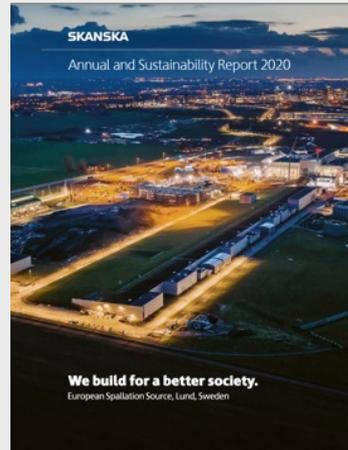
Following a “comply-or-explain” basis, companies must add a statement in their annual report detailing whether the following three targets have been met:

- At least 40% of the board are women (including those self-identifying as a woman).
- At least one of following senior board positions is staffed by a woman (including those self-identifying as a woman) – Chair, CEO, Senior Independent Director (SID) or CFO.
- At least one board member is from a minority ethnic background, defined by reference to the categories recommended by the Office for National Statistics, excluding those listed as coming from a White ethnic background.

The sex or gender identity and ethnic diversity of the board and in senior board positions must also be documented, along with the approach used to collect the data.



# DE&I reporting



Skanska

Annual Report

Pages 4, 65 and 69

Extensive D&I data in table overview, divided by gender and management levels.

Key KPIs highlighted in first pages of integrated report.

**Skanska's operations**

Skanska is one of the world's leading construction and project development companies. Focused on selected home markets in the Nordic region, Europe and the USA, Skanska's diversification across various business streams strengthens the Group's competitive standing and ensures a balanced and diversified risk profile. Sustainability is an integrated part of our operations. Our sustainability commitment enables us to deliver sustainable solutions to our customers, drive operational efficiency, attract employees, manage risks and support society as well as create shareholder value.

**Skanska's purpose and values**

Skanska's purpose - We build for a better society - reflects the Group's role in society, that enables Skanska to create shareholder value. Fundamental to fulfilling the Purpose are Skanska's four values: Care for Life, Act Ethically and Transparently, Be Better - Together, and Commit to Customers.

**Skanska's Values**

Care for Life, Act Ethically & Transparently, Be Better - Together, Commit to Customers

**Sustainable future**

Striving to be in the forefront of sustainability, Skanska helps create a sustainable future for customers and society.

**-34%** Carbon emissions Reduction of carbon emissions from our own operations since 2015.

**98%** Certified commercial buildings Share of total revenues corresponding to SEK 12.1 billion, of diverse offices in the Commercial Property Development business stream, certified with WELL, LEED (Platinum or Gold) or BREEAM (Excellent).

**-42%** Energy reduction in new office buildings Annual energy reduction in diverse office buildings developed by Commercial Development Nordic, Europe and USA compared to the certification system. LEED's established baseline.

**Climate change and carbon reduction**

**2045** Targeted year for net-zero carbon emissions for Skanska Group.

**-34%** Reduction of carbon emissions from our own operations since 2015.

**Carbon emissions in Skanska's own operations**

Skanska's own operations

2015 2016 2017 2018 2019 2020

2015: 400,000 tCO<sub>2</sub>e, 2016: 350,000 tCO<sub>2</sub>e, 2017: 300,000 tCO<sub>2</sub>e, 2018: 250,000 tCO<sub>2</sub>e, 2019: 200,000 tCO<sub>2</sub>e, 2020: 150,000 tCO<sub>2</sub>e

**50%** Innovation

**Net-Zero Carbon**

2015 2020 2045

**Ethics is good business**

**84%** Employees that feel free to express concerns without fear of negative consequences.

**97%** Code of Conduct training in the first month of employment.

**Diversity and Inclusion**

Employees divided by gender and management levels

Category	2020		2019		2018		2017		2016	
	Men	Women								
Skanska AB Board of Directors <sup>1</sup>	57	43	57	43	57	43	50	50	63	37
Senior executives (Group Leadership Team, level 7)	67	33	67	33	67	33	67	33	70	30
Business Unit Presidents (level 6)	92	8	92	8	92	8	93	7	93	7
Group Senior Vice Presidents (level 6)	44	56	33	67	44	56	62	38	67	33
Senior positions (level 3-6) <sup>2</sup>	75	25	75	25	78	22	78	22	80	20
All employees	82	18	82	18	83	17	83	17	83	17

<sup>1</sup> Elected at the Annual General Meeting.  
<sup>2</sup> Level 6 means Business Unit Presidents and Group Senior Vice Presidents, level 5 means business unit management teams, level 4 means direct reports to level 5 and level 3 means direct reports to level 4.



# FCA update expectations



Severn Trent  
Annual Report 2021  
Pages 105 and 106

Severn Trent provides detail into how policy objectives are implemented

STRATEGIC REPORT  
GOVERNANCE  
GROUP FINANCIAL STATEMENTS  
COMPANY FINANCIAL STATEMENTS  
OTHER INFORMATION

**Parker Review – ethnic diversity**  
The Board remains focused on promoting broader diversity and creating an inclusive culture in line with the recommendations of the Parker and McGregor-Smith reviews. A diverse organisation benefits from differences in skills, regional and industry experience, background, race, gender, sexual orientation, religion, belief and age, as well as culture and personality. The Committee is focused on ensuring that the diversity of our employee base reflects the diversity of our region – including the gender, social and ethnic background, skills and experience amongst our customers and the communities that we serve.

The Board Diversity Policy (the 'Policy') was reviewed by the Committee in May 2021, with recommended updates approved by the Board. As part of Board discussions, recognition was given to the importance and benefits of greater diversity, including gender diversity, social and ethnic background, and cognitive and personal strengths throughout the organisation, including on the Board itself. The objectives and targets of the Policy, and an update against each of them, are set out below. A copy of the Policy is available on the Severn Trent Plc website.

**Board Diversity Policy – objectives and progress against targets**  
When recruiting for new Board members, the Committee ensures that the recruitment processes are in line with our Policy to include diverse candidates from a wide variety of backgrounds and those with non-listed company experience for the Committee to consider.

Policy objectives	Implementation	Progress against objectives
Ensure the Board comprises an appropriate balance of skills, experience and knowledge required to effectively oversee and support the management of the Company.	Annual review of the Board's composition by the Nominations Committee with particular consideration being given to the balance of skills, experience and independence of the Board. The Board Effectiveness evaluation specifically considered the composition of the Board and the contribution, commitment and independence of individual Directors.	At its May 2021 meeting, the Committee formally reviewed the composition of the Board and the performance, contribution and commitment of individual Directors in the context of the externally facilitated Board Effectiveness evaluation. No concerns were raised in relation to the composition of the Board and the balance of skills, experience and knowledge on the Board as a whole. The Committee met three times during the year to consider Board succession planning, and twice following year end. All Board succession discussions took place in consideration of the Policy and its aims to increase the ethnic diversity of the Board in line with the recommendations of the Parker and McGregor-Smith reviews.
Ensure consideration is given to diverse candidates for Non-Executive Director Board appointments from a wide pool, including those with no listed company Board experience. Ensure Board appointment 'longlists' include candidates with a diversity of social and ethnic backgrounds and cognitive and personal strengths.	The Board and Nominations Committee recognise the importance and benefits of greater diversity, including gender diversity, social and ethnic background and cognitive and personal strengths, throughout the organisation, including on the Board itself. On instruction of an executive search firm, the specification will ensure that candidates with no listed company Board experience are fully considered.	Board appointments were made during the year as follows: • 1 April 2020: Non-Executive Chair – Christine Hodgson; and • 1 May 2020: Non-Executive Director – Sharmila Nebhrajani. The recommendations in respect of these Board appointments were conducted in full consideration of the Policy, the 2018 Code and additional relevant guidance. The Committee ensured that Korn Ferry, the executive search firm engaged for these appointments, presented a diverse potential candidate list, including candidates with no listed company Board experience.
Ensure the Board and Nominations Committee only engage executive search firms that have signed up to the Voluntary Code of Conduct for Executive Search Firms.	The Board and Nominations Committee recognise the importance and benefits of greater diversity, including gender diversity, social and ethnic background and cognitive and personal strengths, throughout the organisation, including on the Board itself. On instruction of an executive search firm, the specification will ensure that candidates with no listed company Board experience are fully considered.	We continue only to engage with executive search firms that have signed up to the Voluntary Code of Conduct for Executive Search Firms.
Ensure focus is given to the development of a pipeline of diverse high calibre candidates for Board level roles and report annually on the diversity of the Executive pipeline as well as the diversity of the Board.	Regular Board and Nominations Committee consideration of the importance and benefits of greater diversity including gender diversity, social and ethnic background and cognitive and personal strengths. This includes representation of these cohorts in the Group's talent pipeline and on the Board itself.	At its April 2021 meeting, the Board considered diversity and inclusion within the Group. The Board committed to building on existing graduate, apprentice and leadership programmes to embed inclusivity in our succession planning and talent development work. This included discussion on strengthening our talent pipeline, with an enhanced focus on ensuring appropriate representation from ethnic minority candidates, as well as other relevant diverse cohorts. This was also an area of specific focus within the Board and Executive Committee Succession Planning discussions that took place during the year. The diversity of our Executive pipeline is disclosed on page 104.

Severn Trent Plc Annual Report and Accounts 2021 105

NOMINATIONS COMMITTEE REPORT CONTINUED

Policy targets 2020/21	Progress against targets
33% female share of Board Directors by 2020.	56% female representation on our Board as at 31 March 2021.
Minimum of one Board Director from an ethnic minority background by 2021.	In line with the principles of the Parker Review, the Board actively seeks diverse candidates. The calibre of the candidates identified during the most recent recruitment exercise was outstanding and it was after careful deliberation that the Committee recommended the appointment of Sharmila Nebhrajani to the Board from 1 May 2020.

**Board Diversity Policy targets – 2021/22 onwards**  
In May 2021, the Nominations Committee conducted its annual review of the Policy and associated targets. The review recommended changes to the Group's Policy and proposed new diversity targets which the Board approved at its meeting on 14 May 2021. The targets listed below replace the ones that were met or exceeded during 2020/21 and we will disclose our performance against these targets in our 2021/22 Annual Report.

Policy targets 2021/22 onwards	Progress against targets
Maintain at least 40% female Directors on the Board over the short to medium term.	56% female representation on our Board as at 1 May 2021.
Maintain at least 10% Directors from an ethnic minority background on the Board over the short to medium term.	11% ethnic minority representation on our Board as at 1 May 2021.

Severn Trent Plc Annual Report and Accounts 2021 106

The company also alludes to up-and-coming regulation in line with FCA updates, and provides a progress update against them.



# 4

## Biodiversity and nature-related risk

“Biodiversity is an **enabling characteristic of an ecosystem**. It is vital for the health and productivity of the goods and services that it produces.”

\$44trn

worth of assets are dependent on nature and biodiversity – more than 50% of global GDP.

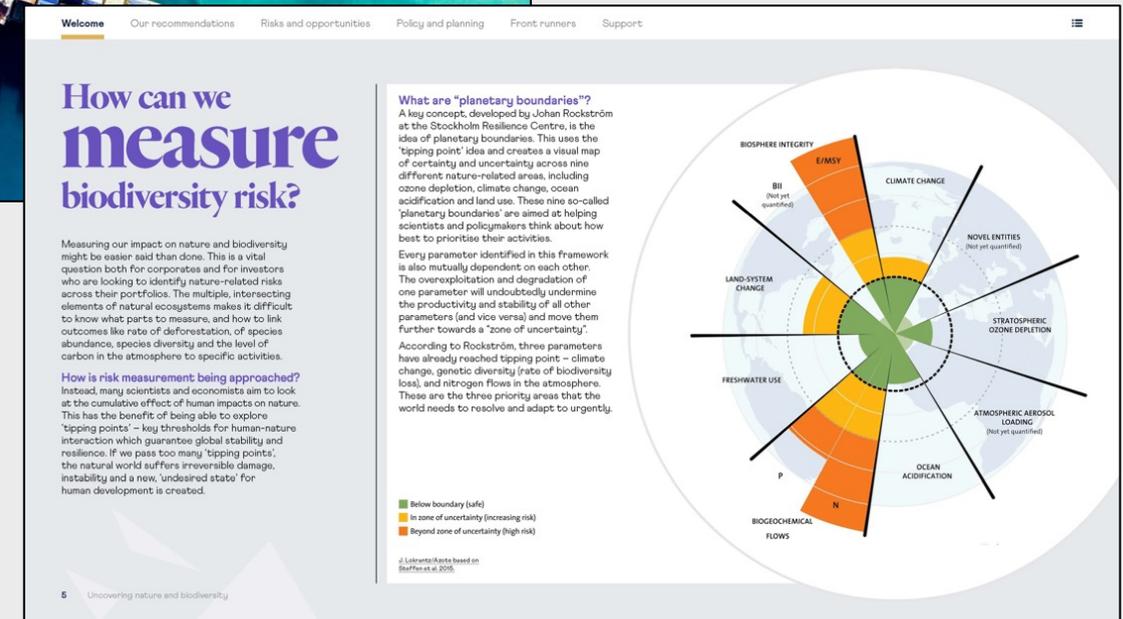
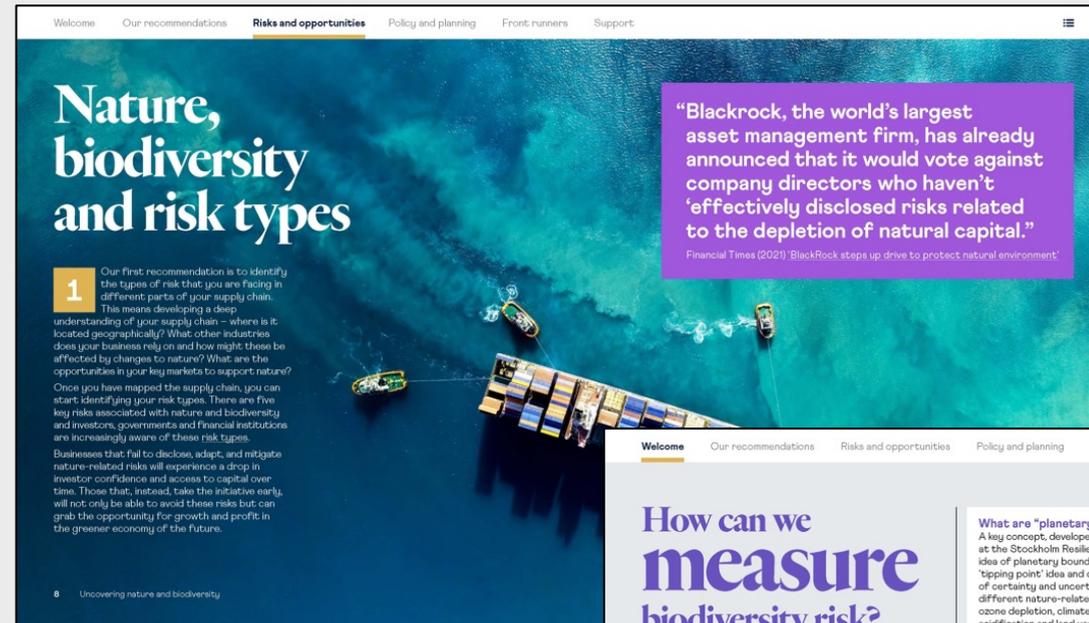
Dr Partha Dasgupta, economics professor and author of the Dasgupta Report

# 4. Biodiversity and nature-related risk



## Uncovering nature and biodiversity

Research paper

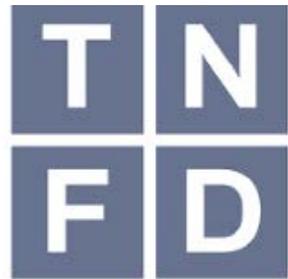
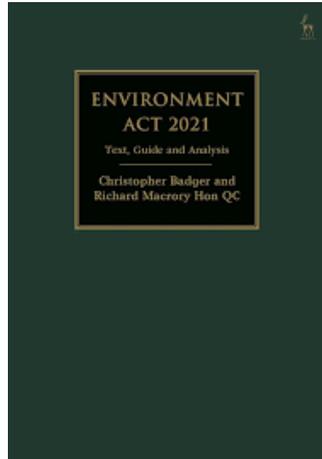


What happens in nature affects what happens in the economic system. Businesses are dependent on the natural world and are more closely connected to it than they might think.

Not only are industrial systems built on foundations of agricultural cycles and resource use, but as nature degrades, there are financial risks associated with business interruption.

Ever's research report, Uncovering Nature and Biodiversity, has the aim of supporting our clients to better understand and reflect on the nature related risks inherent in their business operations, and to build this into a robust and value-creating sustainability strategy.

## 4. Biodiversity and nature-related risk



### **Environment Act regulations (2023 onwards)**

Under the Environment Act 2021, all UK developers will be required to deliver at least 10% biodiversity net gain on any development. This regulation, Biodiversity Net Gain (BNG) is set to be introduced in November 2023.

### **Development of the TNFD (2023 onwards)**

Just as the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations have become a mandatory reporting requirement in the UK in 2022 and 2023, the Task Force on Nature-Related Financial Disclosures (TNFD) is currently undertaking key research to prepare recommendations over the coming months and years. This is a task force set up to explore how companies can respond to environmental degradation and its associated risks. Nature-related risk, biodiversity impacts and ecosystem incursion all look set to become important reporting targets and flashpoint investor talking points.



# Biodiversity reporting in depth



**British Land**  
Annual Report 2022  
Pages 61 and 62

years. These projects are more compelling in the context of rising energy prices. We expect around two thirds of the total cost to be funded by the service charge or directly by customers.

At Exchange House, our net zero audit has identified £2.5m of initiatives, equivalent to 0.5% of the buildings' value which our modelling suggests will deliver a B rating from a E. Key interventions include LED lighting and a heat pump replacement overall reducing energy intensity by 0.50%.

For costs which cannot be covered by the service charge, we have established a Transition Vehicle, financed by an internal levy of £20 per tonne of embodied carbon in new developments as well as a £5m annual fund. Total funding in the vehicle is now £15.5m. One recent example was the chiller replacement at Broadwalk House, which was nearing end of life, the modern replacement was twice as efficient, generating £25,000 annual cost savings, representing 5% of the whole building energy costs and equating to a seven year payback on current energy costs.

**Renewables**  
We have undertaken feasibility studies across the portfolio for rooftop and solar carport possibilities identifying opportunities to add to the 2 mega-watts of capacity we already have installed (of which half is at Meadowhall). We are now doing detailed feasibility studies for two retail sites and Meadowhall shopping centre. We continue to purchase both RGGI backed electricity and RGGI backed gas, accounting for 95% and 85% respectively of electricity and gas purchased.

**Circular economy & materials**  
We are a signatory to the Architects' Journal Retrofit campaign which encourages the use of retrofitting and refurbishment. We have delivered on that at our completed developments (see page 40) and across all our schemes to minimise use of materials.

**Materials re-use at 1 Broadgate**  
**780 tonnes**  
Total materials re-used or upcycled

**200 tonnes**  
of granite, re-purposed from the façade as terrazzo flooring

**140 tonnes**  
of steel recycled elsewhere

We also received an innovation credit by industry body BRE (Building Research Establishment) for implementing a materials passport at 1 Broadgate which provides information about the materials, products and components in the building to enable their recovery and future re-use.

**Climate resilience**  
In line with TCFD recommendations, in 2022 we have enhanced our disclosure on the physical and transition risks that climate change poses to our business. Details can be found on pages 49-57 of this Report. Our focus on energy and carbon is now a key part of our work to deliver a more climate-resilient portfolio. This year we comprehensively updated our sustainability checklist for acquisitions and formally integrated sustainability considerations into our Investment Committee process to enable potential environmental risks to be identified and managed at the outset. All of our acquisitions exposed to flood risk have undergone a flood risk assessment, as have 100% of our managed assets and major developments.

**Biodiversity**  
Biodiversity can play a key role in improving wellbeing for customers and visitors to our places, and with over 100 acres of land in London under our control this is a key consideration for us. This year, we refreshed our Biodiversity Framework for Broadgate and introduced new frameworks at Regent's Place and Paddington Central. These identified four key areas of focus: 1) open space and habitat management; 2) the built environment; 3) education and community engagement; and 4) data collection. Building on this, the Framework sets out the key species and habitats of relevance to the area and sets targets for biodiversity net gain, improving health and wellbeing and ecosystem services. We are exploring similar plans for all our managed retail assets.

We are complementing this with roof gardens at Exchange House and 1 Appold Street, helping to create a network of green spaces for biodiversity in the City. Our 1 Broadgate development includes nearly 12,000 sq ft of planned area across the site including balconies, terraces and ground level with a further 3,000 sq ft of green roof space at Norton Folgate.

**Air quality**  
Each of our Campuses has an air quality action plan which is reviewed at least annually. At Broadgate, we have implemented a delivery booking system that enables the tracking of associated carbon emissions which is identifying opportunities to reduce vehicle movements and associated emissions. In addition, at our major construction sites, we use delivery consolidation to significantly reduce vehicle movements to the site.

**Water**  
Across our developments, we are using low-flow water fixtures to achieve a 40% reduction in potable water use to 20 litres per person per day. We are on track to achieve this at 1 Broadgate and Norton Folgate. On our standing portfolio, we have undertaken over 10 hybrid energy/water audits at our managed sites to identify further reduction opportunities.

**Sustainability continued**

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**Social review**  
Building on the independent research we commissioned last year in to the social and economic issues in the communities around our places, this year, we identified the key social issues we will focus on at each place. We have integrated these into the Business Plans for our eight priority assets coming 52% of our portfolio by value. We also updated our Local Charter. This provides a clear framework to delineating our Place Based approach, focusing on key local issues where we can collectively make the biggest impact, progress on each area is reported below.

**23,949**  
beneficiaries from our community programme

**103**  
Place Based initiatives at our places, including 64 at our eight priority assets.

**Reducing embodied carbon case study: Canada Water**  
At Canada Water, we were the first to use cement free, Earth Friendly Concrete in permanent piling works in the UK, saving 240 tonnes of carbon emissions, a saving of 45% compared to the embodied carbon of traditional piling concrete mix. We are exploring the use of ultra-low carbon, flexible floor plate caseloads which use Cemfree, an alternative to traditional cement. Other low carbon initiatives include more cross-laminated timber, high recycled content in concrete, electric arc furnace steel and recycled raised access floors re-purposed from another building.

**Biodiversity case study: Exchange Square**  
At Exchange Square, we delivered a new park which quadrupled the amount of green space at Broadgate. We worked with ecologists to add tens of thousands of plants, including native and flowering varieties which encourage birds, bees, butterflies and other insects.

British Land reports on how they have refreshed their Biodiversity Framework which has helped to set targets for biodiversity net gain.

British Land pull-out: a biodiversity case study to showcase how they have considered biodiversity within their developments.

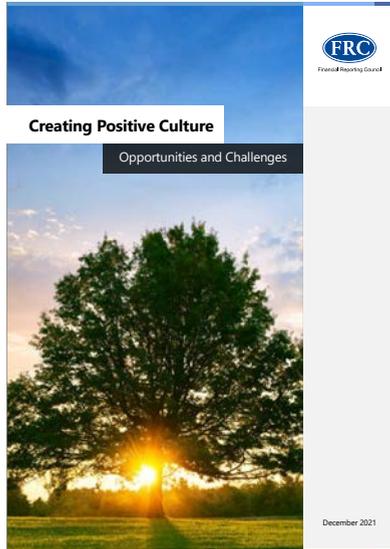


# 5

## Culture

Culture can be the link between a company's purpose, values, strategy, and business model, **helping to sustain and create value.**

# 5. Culture



## **FRC focus on culture**

The FRC argues that emphasising the importance of culture will lead to more open and insightful reporting, and improved access to capital and talent, boosting a company's ability to achieve sustainable success.

Under Principle 1b, a company's board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture. It is then recommended that culture is assessed and monitored, showcasing how management has acted to fix any misalignment. Finally, a company should detail its approach to investing in and rewarding its workforce.

AIM-listed companies are also required to report on culture. In line with Principle 8, companies are to promote a corporate culture that is based on ethical values and behaviours.



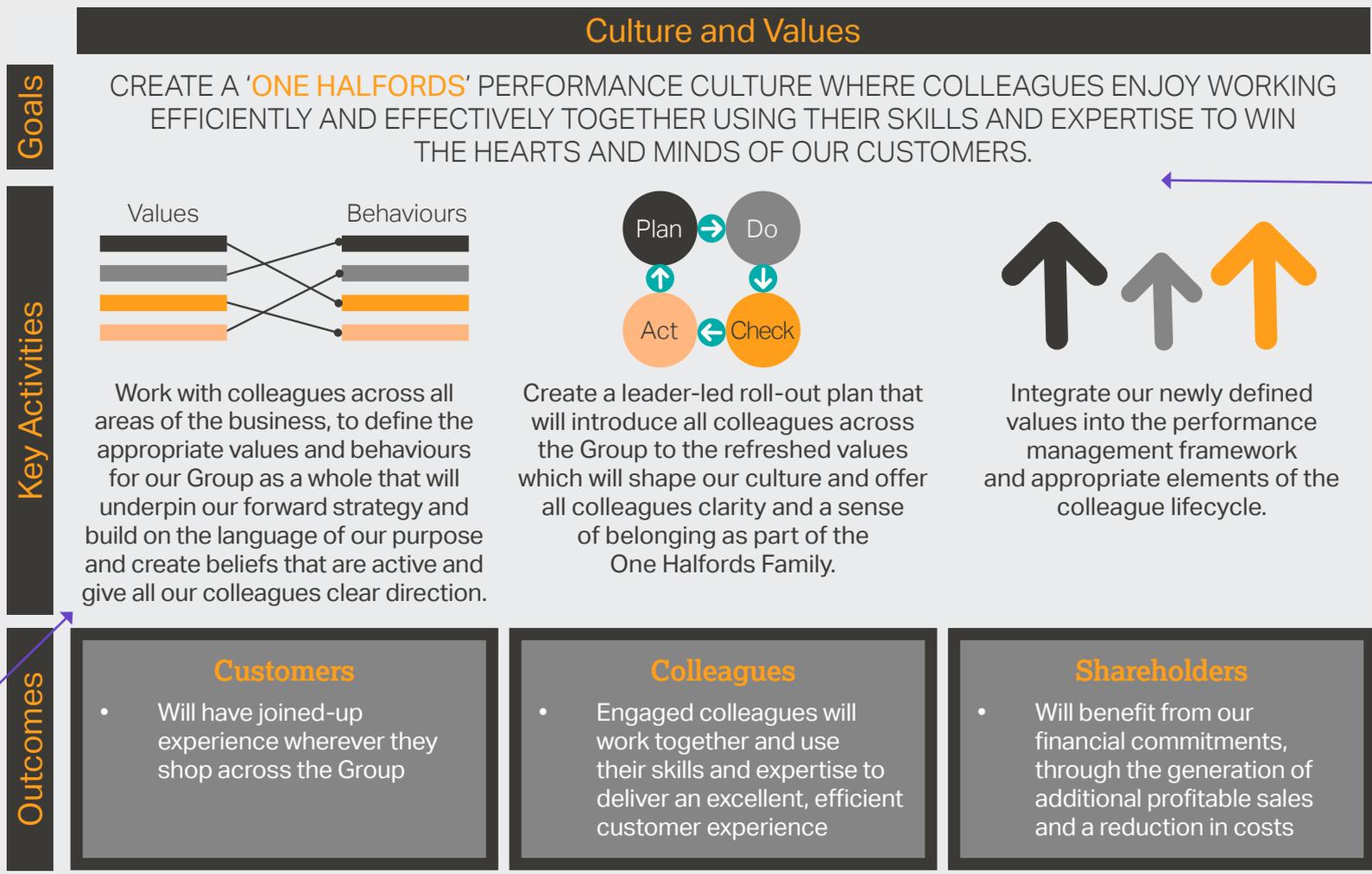
# Culture in depth



Halfords

Website reporting

Halfords' focus on Outcomes, Key Activities and Goals gives a strong structure to its culture reporting that is easy to assess year-on-year.



Wellbeing and performance both form part of Halfords' culture framework, bringing both these elements of employees' experience to the centre of monitoring and reporting.



# 6

## The “Just Transition”

“A Just Transition means greening the economy in a way that is as **fair and inclusive** as possible to everyone concerned, creating **decent work** opportunities and **leaving no one behind.**”

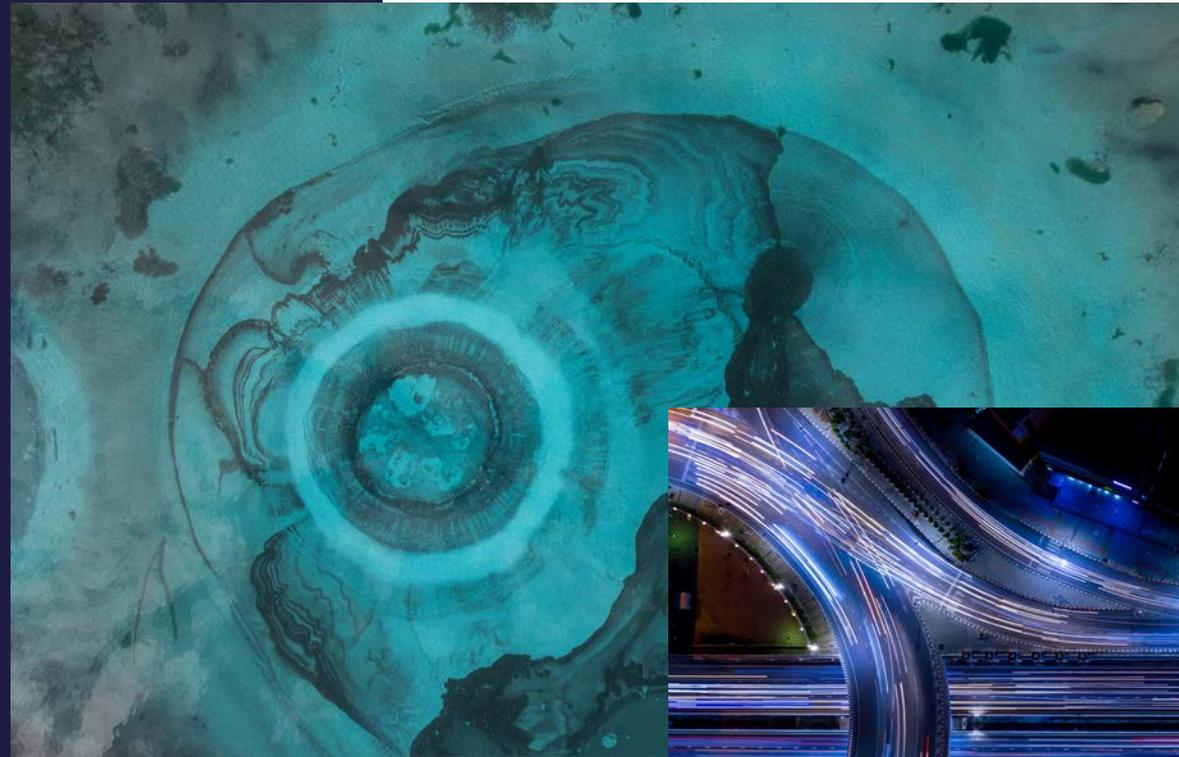
# 6. The “Just Transition”

Companies are beginning to develop their own approach to the Just Transition and new labour market dynamics.

SSE’S 20 PRINCIPLES FOR A JUST TRANSITION				
TRANSITIONING INTO A NET-ZERO WORLD			TRANSITIONING OUT OF HIGH-CARBON WORLD	
 <p><b>SSE’S PRINCIPLES FOR GOOD, GREEN JOBS</b></p>	 <p><b>SSE’S PRINCIPLES FOR CONSUMER FAIRNESS</b></p>	 <p><b>SSE’S PRINCIPLES FOR BUILDING AND OPERATING NEW ASSETS</b></p>	 <p><b>SSE’S PRINCIPLES FOR PEOPLE IN HIGH-CARBON JOBS</b></p>	 <p><b>SSE’S PRINCIPLES FOR SUPPORTING COMMUNITIES</b></p>
<ol style="list-style-type: none"> <li>1. Guarantee fair and decent work</li> <li>2. Attract and grow talent</li> <li>3. Value employee voice</li> <li>4. Boost inclusion and diversity</li> </ol>	<ol style="list-style-type: none"> <li>5. Co-create with stakeholders</li> <li>6. Factor-in-whole system costs and benefits</li> <li>7. Make transparent, evidence-based decisions</li> <li>8. Advocate for fairness</li> </ol>	<ol style="list-style-type: none"> <li>9. Support competitive domestic supply chains</li> <li>10. Set social safeguards</li> <li>11. Sharevalue with communities</li> <li>12. Implement responsible developer standards</li> </ol>	<ol style="list-style-type: none"> <li>13. Re-purpose thermal generators for a net-zero world</li> <li>14. Establish and maintain trust</li> <li>15. Provide forward notice of change</li> <li>16. Prioritise retaining and redeployment</li> </ol>	<ol style="list-style-type: none"> <li>17. Deliver robust stakeholder consultation</li> <li>18. Form partnerships across sectors</li> <li>19. Promote further industrial development</li> <li>20. Respect and record cultural heritage</li> </ol>

# Greenwash alert

- Approaching sustainability from the direction of a reporting output can lead to comms objectives taking precedence over sustainability strategy objectives.
- “Greenwashing” – or making claims that are false, misleading, or overplay a business’ sustainability activities – is both increasingly common and increasingly called out by investors.
- For 44% of ESG investors, greenwashing is their biggest concern, even larger than outperformance and higher fees and costs.
- The Advertising Standards Agency has already taken action against brands including Innocent Drinks, Oatly, Hyundai and Shell for sharing green claims that were deemed to be inaccurate or misleading.





ever  
sustainable  
consultancy by Design Portfolio

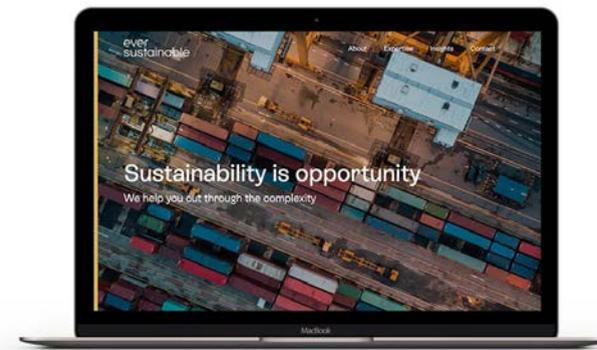
# How we can help

Ever exists to help companies stand the test of time through sustainable business transformation that tangibly improves performance and the world around them.

- Expertise in the right place
- Robust security and infrastructure
- Compelling creative work
- Open and transparent communication
- Proven process – the “Ever way”
- Thought-provoking advice
- Support when you need it
- An integrated and proactive partner

Email us

[hello@eversustainable.co.uk](mailto:hello@eversustainable.co.uk)



[www.eversustainable.co.uk](http://www.eversustainable.co.uk)



Uncovering Nature  
and Biodiversity